



CALIFORNIA PUBLIC UTILITIES COMMISSION

BILL ANALYSIS

BILL SUMMARY

AB 2663 (Wyman) – Gas and electricity: baseline quantities and rates
As introduced

Recommendation: Oppose

Summary: Existing law requires the Commission to designate, provide and periodically approve a rate structure for a baseline quantity of gas and electricity necessary to supply the reasonable energy needs of the average residential customer. The Commission is required to take into account climatic and seasonal variations in consumption and the availability of gas service. This measure imposes the additional requirement that the Commission designate a baseline quantity for average senior residential customers.

Analysis: This bill amends Section 739 of the Public Utilities Code and Section 80110 of Water Code, relating to energy, to *additionally* require a baseline quantity of gas and electricity for senior residential customers. We believe this bill is unnecessary. Under existing law, customers with medical concerns are covered by additional baseline allowances, and although the requirements are not age-based as specified in the proposed statute, the way in which the bill is crafted precludes the inclusion of customers who, although senior in age, may not need additional baseline allowances. PU Code Section 739 (b)(1-6), provides a standard allowance plus an additional 500 kWh per month of electricity and 25 therms of gas, in addition to the baseline quantity of gas and electricity, for specified residential customers (i.e. those on life-support equipment, including emphysema and pulmonary patients, paraplegic and quadriplegic patients, scleroderma patients, those patients with compromised immune system, etc.) Depending on a needs assessment, additional allowances are available as well under existing programs.

Additionally, we find that the costs associated with this method of rate relief for seniors is prohibitive. Based on the our Commission staff experience it is often difficult to calculate the differentials in energy needs of seniors (due to mitigating factors such as income and health related concerns) ; and verification of continued residence, qualification and the updating and revision of data necessary to ensure compliance with the law would be financially prohibitive. The bill provides no method for ensuring that the information provided by households could be counted on a reliable nor does it contemplate any methodology (or direct the CPUC to determine) for the determination of the age, state of health and income of seniors. Our preliminary determination is that this assessment would be overly complex and expensive.

Comments: The Commission is currently reviewing the plight of the baseline rate on all classes of customers in OIR 01-05-047. We believe the approach outlined in this bill would constitute a burden on the utilities responsible for the bill's implementation, for the following reasons:

The development and implementation of mechanisms to assess age-based customer eligibility and servicing would be administratively burdensome and financially costly. PG&E, for example, has 4.5 million electric and gas-only accounts. In a closely related issue [to ascertain the number of people in a household], it has estimated the *annual* ongoing administrative costs associated with such data to be about \$14 million, plus costs to set up new systems and educate customers about it. [See PG&E's Phase 2 Prehearing Conference Statements in Baseline OIR 01-05-047].

Baseline rates were established by the Legislature to encourage conservation efforts, a goal echoed by the Commission recently set forth in its 2001 Rate Stabilization Plan [RSP] surcharge rulings and decisions.. In light of the energy crisis, it has become a tool by affected groups to ensure the lowest possible energy costs. The tiered rate structure of baseline rates may or may not serve the dual purpose of rate relief and energy conservation, but the baseline vehicle's use for this dual purpose is clearly out of line with its original intent.

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BILL LANGUAGE

BILL NUMBER: AB 2663 INTRODUCED
BILL TEXT

INTRODUCED BY Assembly Member Wyman
(Coauthors: Assembly Members Dickerson, Mountjoy, and Robert Pacheco)

FEBRUARY 22, 2002

An act to amend Section 739 of the Public Utilities Code, and to amend Section 80110 of the Water Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2663, as introduced, Wyman. Gas and electricity: baseline quantities and rates.

(1) The Public Utilities Act requires the commission to designate a baseline quantity of gas and electricity, as defined, which is necessary to supply a significant portion of the reasonable energy needs of the average residential customer. The act requires the commission, in establishing the baseline quantities, to take into account climatic and seasonal variations in consumption and the availability of gas service. The act requires that electrical and gas corporations file rates and charges, to be approved by the commission, providing baseline rates. Under the act the commission, in establishing baseline rates, is required to avoid excessive rate increases for residential customers. The act also requires the commission to review and revise baseline quantities.

This bill would additionally require the commission to designate a baseline quantity of gas and electricity for average senior residential customers. In estimating those quantities, the commission would be required to take into account differentials in energy needs resulting from seniors spending a disproportionate amount of time in their residences and their increased heating and cooling needs as a result of health problems. The commission would also be required, in approving the baseline rates filed by electrical and gas corporations so as to avoid excessive rate increases, to consider that seniors are often on fixed incomes and have increased heating and cooling needs as a result of health problems.

A violation of the Public Utilities Act is a crime. This bill by requiring new duties under that act would change the definition of a crime and thus, impose a state-mandated local program.

(2) Existing law authorizes the Department of Water Resources to enter into contracts for the purchase of electric power and permits the department through rates and charges to recover its electric procurement costs and to repay bonds issued to finance the department's purchases of electric power. The commission fixes the rates and charges sufficient for the department to recover its electric power procurement costs. In fixing rates and charges sufficient for the department to recover its electric procurement costs, the commission is prohibited from increasing charges for residential customers for baseline quantities or usage by those customers of up to 130 percent of existing baseline quantities in effect on February 1, 2001.

This bill would prohibit the commission from increasing charges

for residential customers for baseline quantities or usage by those customers of up to 130 percent of baseline quantities, to reflect the addition of a separate baseline for average senior residential customers.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 739 of the Public Utilities Code is amended to read:

739. (a) The commission shall designate a baseline quantity of gas and electricity which is necessary to supply a significant portion of the reasonable energy needs of the average *and average senior* residential customer. In estimating those quantities, the commission shall take into account differentials in energy needs between customers whose residential energy needs are currently supplied by electricity alone or by both electricity and gas. The commission shall develop a separate baseline quantity for all-electric residential customers. For these purposes, "all-electric residential customers" are residential customers having electrical service only or whose space heating is provided by electricity, or both. *In estimating those quantities for average senior residential customers, the commission shall take into account differentials in energy needs resulting from seniors spending a disproportionate amount of time in their residences and increased heating and cooling needs as a result of health problems factoring out the specific health problems in subdivision (b).* The commission shall also take into account differentials in energy use by climatic zone and season.

(b) (1) The commission shall establish a standard limited allowance which shall be in addition to the baseline quantity of gas and electricity for residential customers dependent on life-support equipment, including, but not limited to, emphysema and pulmonary patients. A residential customer dependent on life-support equipment shall be given a higher energy allocation than the average residential customer.

(2) "Life-support equipment" means that equipment which utilizes mechanical or artificial means to sustain, restore, or supplant a vital function, or mechanical equipment which is relied upon for mobility both within and outside of buildings. "Life-support equipment," as used in this subdivision, includes all of the following: all types of respirators, iron lungs, hemodialysis machines, suction machines, electric nerve stimulators, pressure pads and pumps, aerosol tents, electrostatic and ultrasonic nebulizers, compressors, IPPB machines, and motorized wheelchairs.

(3) The limited additional allowance shall also be made available to paraplegic and quadriplegic persons in consideration of the increased heating and cooling needs of those persons.

(4) The limited additional allowance shall also be made available to multiple sclerosis patients in consideration of the increased heating and cooling needs of those persons.

(5) The limited additional allowance shall also be made available to scleroderma patients in consideration of the increased heating

needs of those persons.

(6) The limited allowance shall also be made available to persons who are being treated for a life-threatening illness or have a compromised immune system, provided that a licensed physician and surgeon or a person licensed pursuant to the Osteopathic Initiative Act certifies in writing to the utility that the additional heating or cooling allowance, or both, made available pursuant to this subdivision is medically necessary to sustain the life of the person or prevent deterioration of the person's medical condition.

(c) (1) The commission shall require that every electrical and gas corporation file a schedule of rates and charges providing baseline rates. The baseline rates shall apply to the first or lowest block of an increasing block rate structure which shall be the baseline quantity. In establishing these rates, the commission shall avoid excessive rate increases for residential customers, and shall establish an appropriate gradual differential between the rates for the respective blocks of usage. *In establishing the baseline quantity for seniors, the commission shall additionally consider that seniors are often on fixed incomes and have increased heating and cooling needs as a result of health problems.*

(2) In establishing residential electric and gas rates, including baseline rates, the commission shall assure that the rates are sufficient to enable the electrical corporation or gas corporation to recover a just and reasonable amount of revenue from residential customers as a class, while observing the principle that electricity and gas services are necessities, for which a low affordable rate is desirable and while observing the principle that conservation is desirable in order to maintain an affordable bill.

(3) At least until December 31, 2003, the commission shall require that all charges for residential electric customers are volumetric, and shall prohibit any electrical corporation from imposing any charges on residential consumption that are independent of consumption, unless those charges are in place prior to the effective date of the act that added this paragraph.

(d) As used in this section:

(1) "Baseline quantity" means a quantity of electricity or gas for residential customers to be established by the commission based on from 50 to 60 percent of average *and average senior* residential consumption of these commodities, except that, for residential gas customers and for all-electric residential customers, the baseline quantity shall be established at from 60 to 70 percent of average residential consumption during the winter heating season. In establishing the baseline quantities, the commission shall take into account climatic and seasonal variations in consumption and the availability of gas service. The commission shall review and revise baseline quantities as average consumption patterns change in order to maintain these ratios.

(2) "Residential customer" means those customers receiving electrical or gas service pursuant to a domestic rate schedule and excludes industrial, commercial, and every other category of customer.

(e) Wholesale electrical or gas purchases, and the rates charged therefor, are exempt from this section.

(f) Nothing contained in this section shall be construed to prohibit experimentation with alternative gas or electrical rate schedules for the purpose of achieving energy conservation.

SEC. 2. Section 80110 of the Water Code is amended to read:

80110. The department shall retain title to all power sold by it to the retail end use customers. The department shall be entitled to recover, as a revenue requirement, amounts and at the times necessary to enable it to comply with Section 80134, and shall advise the commission as the department determines to be appropriate. Such

revenue requirements may also include any advances made to the department hereunder or hereafter for purposes of this division, or from the Department of Water Resources Electric Power Fund, and General Fund moneys expended by the department pursuant to the Governor's Emergency Proclamation dated January 17, 2001. For purposes of this division and except as otherwise provided in this section, the Public Utility Commission's authority as set forth in Section 451 of the Public Utilities Code shall apply, except any just and reasonable review under Section 451 shall be conducted and determined by the department. The commission may enter into an agreement with the department with respect to charges under Section 451 for purposes of this division, and that agreement shall have the force and effect of a financing order adopted in accordance with Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, as determined by the commission. In no case shall the commission increase the electricity charges in effect on the date that the act that adds this section becomes effective for residential customers for ~~existing~~

baseline quantities or usage by those customers of up to 130 percent of ~~existing~~ baseline quantities, until such time as the department has recovered the costs of power it has procured for the electrical corporation's retail end use customers as provided in this division. After the passage of such period of time after the effective date of this section as shall be determined by the commission, the right of retail end use customers pursuant to Article 6 (commencing with Section 360) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code to acquire service from other providers shall be suspended until the department no longer supplies power hereunder. The department shall have the same rights with respect to the payment by retail end use customers for power sold by the department as do providers of power to such customers.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.